

**MISSOURI PUBLIC ENTITY
RISK MANAGEMENT FUND**

FINANCIAL STATEMENTS WITH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013

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Independent Auditor's Report

Board of Trustees
Missouri Public Entity Risk Management Fund
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying basic financial statements of Missouri Public Entity Risk Management Fund ("MOPERM"), which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOPERM as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of MOPERM as of December 31, 2012 and 2011, were audited by other auditors whose report dated March 27, 2013, expressed an unmodified opinion on those financial statements.

Required Supplemental Information

United States of America generally accepted accounting principles require management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brown Smith Wallace, L.L.C.

St. Louis, Missouri
March 21, 2014

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Missouri Public Entity Risk Management Fund (MOPERM) offers this narrative overview and analysis of the financial activities of MOPERM for the fiscal years ended December 31, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with MOPERM's financial statements and notes to the financial statements to enhance their understanding of MOPERM's financial performance.

Fund Accounting

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MOPERM, a corporate and political body created by the Missouri General Assembly, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MOPERM is considered to be a related party but not a component unit of the State of Missouri. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. MOPERM's funds are considered proprietary funds.

Proprietary funds

Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MOPERM maintains one type: Enterprise Fund. MOPERM's purpose is to provide liability and property insurance coverage to participating public entities, their officials and employees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MOPERM's financial statements. Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, as MOPERM uses only Proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail, we do not present government-wide financial statements as the information would be repetitive.

Overview of the Financial Statements (Continued)

The financial statements, in addition to management's discussion and analysis, are comprised of the statement of net position; the statement of revenues, expenses and changes in net position; the statement of cash flows and the notes to financial statements. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental enterprise funds.

The statement of net position presents MOPERM's financial position as of the end of the fiscal year. Information is displayed on assets and liabilities, with the difference between the two reported as net position. The net position of MOPERM reflect the resources available as of the end of the fiscal year to pay claims of participants when due. Over time, increases and decreases in net position measure whether MOPERM's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information detailing the revenues and expenses that resulted in the change in net position that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by fiscal year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-insured plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The statement of cash flows presents the cash provided and used by MOPERM categorized by operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It reconciles the beginning and end-of-year cash balances contained in the statement of net position. The effects of accrual accounting and noncash activities, such as depreciation, are adjusted to supplement the presentation in the statement of revenues, expenses and changes in net position.

The notes to financial statements follow the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, required supplementary information is presented illustrating MOPERM's past ten years of earned revenues and investment income compared to related costs of loss and other expenses incurred by MOPERM.

Financial Analysis

The following tables present the summarized financial position and results of operations for the fiscal years ended December 31, 2013, 2012 and 2011. Additional details are available in the accompanying financial statements.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash and investments	\$ 119,380,867	\$ 116,241,205	\$ 114,470,841
Receivables	480,625	446,089	706,034
Capital assets	1,281,787	1,412,959	1,448,420
Other	<u>18,164</u>	<u>16,190</u>	<u>12,033</u>
Total assets	<u>\$ 121,161,443</u>	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>
LIABILITIES			
Loss and loss adjustment expense	\$ 48,828,574	\$ 48,767,586	\$ 50,850,122
Other	<u>12,514,874</u>	<u>9,143,591</u>	<u>9,629,065</u>
Total Liabilities	<u>61,343,448</u>	<u>57,911,177</u>	<u>60,479,187</u>
NET POSITION			
Net investment in capital assets	1,281,787	1,412,959	1,448,420
Unrestricted	<u>58,536,208</u>	<u>58,812,307</u>	<u>54,709,721</u>
Total net position	<u>59,817,995</u>	<u>60,225,266</u>	<u>56,158,141</u>
Total liabilities and net position	<u>\$ 121,161,443</u>	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>

MOPERM was established to offer liability protection to participating public entities, their officials and employees. MOPERM has been successfully providing member entities with broad coverages at stable and economical rates. About ten years ago, MOPERM's Board of Trustees approved the offering of property insurance coverage to its members. MOPERM increased its overall membership by 12 and 5 members in 2013 and 2012, while decreasing its membership by 20 members in 2011. The increase in membership for 2013 and 2012 is a result of the market beginning to harden and less competition within the state. The reduction of members in 2011 was due to a softer market and greater competition. With the net increase in members, MOPERM picked up about \$1.7 million in contribution in 2013 compared to an increase of only \$347,000 in 2012. In 2011, MOPERM lost about \$1,491,283 in contribution. Total assets have increased for 2013 and 2012 by \$3 million and \$1.5 million. Cash and investments increased the past three years; \$3.1 million in 2013, \$1.8 million in 2012, \$7.9 million in 2011. Capital assets decreased in 2013 and 2012. Even though the new risk management software system was completed and added to fixed assets in 2012, numerous old computers and a vehicle were sold. As of December 31, 2011, \$417,004 of the new risk management software system had been purchased. The software implementation was complete in June of 2012, when the claims module was added. In 2013, receivables increased by \$14,536 with the majority of the increase due to the increase in accrued interest receivable and deductible billing receivables. During 2012 and 2011, receivables decreased by \$240,000 and \$29,000.

Financial Analysis (Continued)

- Total liabilities increased by \$3.4 million in 2013 with the biggest increase in contributions collected in advance and the retro return reserve refund payable. Total liabilities decreased by \$2.1 million in 2012 and increased by \$2.4 million in 2011. The decrease in 2012 was primarily the reduction in IBNR for several of the older policy years where all claims have been settled and closed. The increase in liabilities in 2011 was primarily associated with an increase in advance contributions and retro return reserve refunds. MOPERM reserves 75% of annual liability contributions to pay claims. This percentage conservatively reflects past claims history. This reserve is reviewed annually by an independent actuary. MOPERM has no long term debt.
- The change in total net position for 2013 decreased by about \$400,000. In 2013, MOPERM had a change in net position of about \$680,000 and declared refunds to its members of over \$1 million. Changes in net position for 2012 and 2011 increased by \$4.7 million and \$6.7 million. Since its inception, MOPERM has refunded about \$9 million of contributions to the participating members. MOPERM's Board of Trustees declared a refund in 2013, 2012 and 2011 for \$1,106,980, \$703,447 and \$1,208,834.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES			
Contributions	\$ 18,365,214	\$ 16,662,710	\$ 16,315,514
Investment income	2,037,141	2,646,677	3,051,178
Other income (expense)	<u>12</u>	<u>7,847</u>	<u>2,727</u>
Total operating revenues	<u>20,402,367</u>	<u>19,317,234</u>	<u>19,369,419</u>
EXPENSES			
Loss and loss adjustment expense	10,703,634	10,298,997	11,073,435
Excess insurance premiums	1,744,482	1,639,866	1,447,161
General and administrative	<u>2,669,851</u>	<u>2,489,258</u>	<u>2,366,185</u>
Total operating expenses	<u>15,117,967</u>	<u>14,428,121</u>	<u>14,886,781</u>
Operating income	5,284,400	4,889,113	4,482,638
Nonoperating revenue (expenses):			
Unrealized gain (loss) on investments	<u>(4,600,409)</u>	<u>(164,113)</u>	<u>2,215,136</u>
Changes in net position	683,991	4,725,000	6,697,774
Total net position beginning of year	<u>60,225,266</u>	<u>56,158,141</u>	<u>50,669,201</u>
Refunds to members, net refunds returned	<u>(1,091,262)</u>	<u>(657,875)</u>	<u>(1,208,834)</u>
Total net position, end of years	<u>\$ 59,817,995</u>	<u>\$ 60,225,266</u>	<u>\$ 56,158,141</u>

Financial Analysis (Continued)

- There was an increase in contribution earned in 2013 of about \$1.7 million. Liability and property contributions increased by \$961,000 and \$742,000. This increase was the result of some new members and the rate increase to the base rates to both the liability and property programs. 2012 also had an increase in contributions earned due to a minimal increase in liability contribution of \$37,000 with the majority of the increase to property contribution of \$310,000. Several liability only members added property coverage and there were several new counties written as well. Contributions for 2011 decreased by \$1,491,283. The property line of business had slight decreases of \$25,270 which was attributed to the loss of members and a slight rate decrease of 2.91%. Liability contribution was a negative \$1,466,013 for 2011 due to a 4.99% rate decrease and the loss of members. In 2011, a new 5% package discount was applied to liability and property policies that held both property and liability lines of coverage.
- In 2013 and 2012, MOPERM invested approximately \$112 and \$114 million, primarily in U.S. Government Agency Securities with final maturities of seven years or less, U.S. Government Guaranteed Mortgages and Collateralized Mortgage Obligations. Investment income consists of interest income, amortization of premium and discounts, and realized gains and losses on securities. Investment income for 2013 and 2012 decreased by \$609,536 and \$404,501 due to the volatile markets and lower interest rates on new purchases of investment in the portfolio. Because of the changes in the investment market, MOPERM experienced an unrealized loss on investments for 2013 and 2012 of \$4,600,409 and \$164,113 and an unrealized gain on investments of \$2.2 million for 2011.
- Loss and loss adjustment expense increased by \$404,637 in 2013 and decreased \$774,438 and \$1,034,096 in 2012 and 2011. The total loss and loss adjustment expense paid out in 2013 actually decreased by \$1.7 million. MOPERM paid out approximately \$1.5 million more in net loss and loss adjustment expenses in 2012 than 2011. The increases and decreases in loss and loss adjustment expense is also affected by the change in case reserves and incurred but not reported reserves.
- Excess insurance premiums increased by \$104,616 and \$192,705 in 2013 and 2012. Excess rates decreased slightly in 2013 and a fixed broker fee was added to the contract. Excess rates increased in 2012 as well as the property membership. In 2011, there was a decrease in property membership, excess rates stayed the same but a large member was added, increasing the excess insurance premiums. The excess insurance ceded premium for property increases/decreases as members are added or non-renewed and cancelled.
- General and administrative expenses approximated 14.5% and 14.9% of total contributions earned for 2013 and 2012, respectively. The increase in expenses is due to increase in Salaries, Employee Benefit Cost, Maintenance Services, Other Outside Services and Commission Expense.

Financial Summary

In 2013, MOPERM had an increase in its overall membership and an increase of \$1.7 million in contribution. MOPERM had a 5.5% increase to the liability base rates and 1.80% increase to the base rates for the property program. There were a total of 880 entities that contributed to the pool in 2013 compared to 867 participating members in 2012. At the beginning of the second quarter of 2013, a major competitor announced its withdrawal from the city/county public entity market, and later in the year other competitors adjusted their loss tolerance. As a result of these developments, MOPERM added almost 50% more new business mid-term in 2013 than in 2012 (a total of 63 new policies vs. 43 the year before). However, recent history seems to indicate that the “hard market/soft market” cycles have shortened, and other carriers may develop an appetite for public entity business in the near future.

The insurance market appears to be hardening and MOPERM has increased the amount of quotes being offered. There are still several competitors in the state competing for public entity business.

MOPERM had a net income of \$683,991 in 2013 and paid out a refund of retro return reserves in April of \$687,729. The Board of Trustees declared another refund of \$1,106,980 in 2013 to be paid out in April of 2014. The general and administrative expenses decreased slightly in 2013. Net position decreased by \$407,271 in 2013, totaling \$59,817,995 at December 31, 2013. Net income for 2013 was greatly impacted by the unrealized loss on investments of \$4,600,409 due to the volatility in the bond market.

Economic Environment and Next Year’s Budget and Rates

Since 1987, MOPERM has been a competitive alternative for local government agencies seeking to manage rising coverage costs against growing exposures and tight budgets. Rates are analyzed by an actuary each year and rate recommendations are made to management. Management analyzes the actuary’s rate recommendations and suggests rate changes based on actual loss experience and the current insurance market.

The 2014 estimated contribution remained about the same with a slight decrease compared to the final 2013 contribution amount. The decrease was the anticipation of losing a few of our larger members. There was no suggested rate increase in base rates for the liability or property program. Total loss and loss adjustment expenses are budgeted to increase about 11% in 2014. General and administrative expenses are budgeted for a 7% increase as well. In 2014, there is a decrease in property excess rates with no increase to MOPERMs base rates. The total of general and administrative expenses and excess insurance premiums are about 25% of total budgeted contribution. The loss and loss adjustment expense percentage remains constant at about 75% of budgeted liability contribution each year.

Contacting MOPERM's Financial Management

This financial report is designed to provide our members and the public with a general overview of MOPERM's finances and to demonstrate MOPERM's accountability for the contribution it receives. If you have questions about this report or need additional financial information, contact the Fiscal Manager, Cathy Schulte, at PO Box 7110, Jefferson City, MO 65102, (573)751-1266 ext. 114 or e-mail Cathy-Schulte@moperm.

Basic Financial Statements

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Statements of Net Position

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,274,039	\$ 2,537,113
Short-term investments	6,415,108	6,980,730
Deposits and accounts receivable other than contributions	92,378	71,807
Accrued interest receivable	377,997	359,792
Contributions in the course of collection	10,250	34,490
Prepaid expenses	18,164	16,190
Total Current Assets	14,187,936	10,000,122
Noncurrent Assets		
Long-term investments	105,691,720	106,723,362
Capital assets (net of accumulated depreciation of \$1,733,743 in 2013 and \$1,594,984 in 2012)	1,281,787	1,412,959
Total Noncurrent Assets	106,973,507	108,136,321
TOTAL ASSETS	\$ 121,161,443	\$ 118,136,443
LIABILITIES AND NET POSITION		
Current Liabilities		
Advance contributions	\$ 11,244,759	\$ 8,324,730
Retro return reserve refunds payable	1,106,980	703,447
Accounts payable and accrued expense	163,135	115,414
Total Current Liabilities	12,514,874	9,143,591
Noncurrent Liabilities		
Loss and loss adjustment expenses reserves	48,828,574	48,767,586
TOTAL LIABILITIES	61,343,448	57,911,177
Net Position		
Net investment in capital assets	1,281,787	1,412,959
Unrestricted	58,536,208	58,812,307
Total Net Position	59,817,995	60,225,266
TOTAL LIABILITIES AND NET POSITION	\$ 121,161,443	\$ 118,136,443

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Statements of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2013 and 2012

	2013	2012
Revenues		
Contributions	\$ 18,365,214	\$ 16,662,710
Investment income	2,037,141	2,646,677
Other income	12	7,847
Total operating revenues	20,402,367	19,317,234
Expenses		
Losses and loss adjustment expenses	10,703,634	10,298,997
Excess insurance premiums	1,744,482	1,639,866
General and administrative	2,669,851	2,489,258
Total operating expenses	15,117,967	14,428,121
Operating income	5,284,400	4,889,113
Nonoperating expenses		
Unrealized loss on investments	(4,600,409)	(164,113)
Change in net position	683,991	4,725,000
Total net position, beginning of year	60,225,266	56,158,141
Refunds to members, net of refunds returned	(1,091,262)	(657,875)
Total net position, end of year	\$ 59,817,995	\$ 60,225,266

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Contributions collected	\$ 21,309,483	\$ 16,626,993
Loss and loss adjustment expenses paid	(10,663,217)	(12,317,908)
Payments to suppliers and excess insurer	(3,602,294)	(3,403,140)
Payments to employees	(626,310)	(580,215)
Investment income received	2,089,859	2,606,946
Other income	12	7,847
Net cash provided by operating activities	8,507,533	2,940,523
Cash flows used in non-capital financing activities:		
Refunds paid to members	(687,729)	(1,163,262)
Cash flows used in capital and related financing activities:		
Purchases of capital assets	(8,811)	(85,846)
Cash flows from investing activities:		
Proceeds from matured investments	36,851,861	83,604,696
Investments purchased	(39,925,928)	(90,183,451)
Net cash used in investing activities	(3,074,067)	(6,578,755)
Change in cash and cash equivalents	4,736,926	(4,887,340)
Cash and cash equivalents, beginning of year	2,537,113	7,424,453
Cash and cash equivalents, end of year	\$ 7,274,039	\$ 2,537,113
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	\$ 5,284,400	\$ 4,889,113
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	139,982	121,307
Accretion of discounts and amortization of premiums, net	229,132	292,759
Realized gain on investments	(158,209)	(535,821)
Changes in certain assets and liabilities:		
(Increase) decrease in deposits and accounts receivable other than contributions	(20,571)	63,625
(Increase) decrease in accrued interest receivable	(18,205)	203,331
(Increase) decrease in contributions in course of collection	24,240	(27,011)
(Increase) decrease in prepaid expenses	(1,974)	(4,157)
Increase (decrease) in loss and loss adjustment expense reserves	60,988	(2,082,536)
Increase (decrease) in advance contributions	2,920,029	(8,706)
Increase (decrease) in accounts payable and accrued expenses	47,721	28,619
Net adjustments	3,223,133	(1,948,590)
Net cash provided by operating activities	\$ 8,507,533	\$ 2,940,523
Schedule of noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	\$ (4,600,409)	\$ (164,113)

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements

December 31, 2013 and 2012

Note A - Reporting Entity

The Missouri Public Entity Risk Management Fund (“MOPERM”) is a body corporate and politic created by the Missouri General Assembly and signed into law on June 20, 1986. MOPERM became operational January 1, 1987. Although the State of Missouri is responsible for appointing some of the members of the Board of Trustees, the State’s accountability does not extend beyond these appointments. Accordingly, MOPERM is considered a related organization of the State of Missouri but is not considered a component unit.

The purpose of MOPERM, as established in Chapter 537.700 RSMo 1986 and in the bylaws, is to provide liability protection to participating public entities, their officials and employees. Effective July 1, 2003, MOPERM added property coverage to its services offered to such participating members. MOPERM had a total of 880 and 867 contributors, including cities, counties, healthcare entities and school districts, as of December 31, 2013 and 2012, respectively.

MOPERM uses only proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail. Government-wide financial statements are not presented as such information would be repetitive.

Note B - Basis of Accounting Summary of Significant Accounting Policies

Basis of Accounting

MOPERM prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for governmental enterprise funds. These principles are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and overnight repurchase agreements (“Investaccount-Government” securities). All cash on deposit is insured by federal depository insurance or collateralized by securities held by the counter party financial institution’s trust department or agent in MOPERM’s name. The carrying amounts reported in the statements of net position approximate the fair value of these instruments.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

Investments

MOPERM reports investments as trading assets at fair value, with the changes in fair value reported in the statements of revenues, expenses and changes in net position. The estimated fair value of fixed maturity investments is based on quoted market prices. Interest income is recorded when earned. Realized gains and losses on investments are determined using the specific identification method.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Realized gains and losses are recognized upon disposal or retirement of the related assets and are reflected in current operations.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the respective assets:

	<u>Depreciable Life</u>
Automobiles	3 years
Computer equipment and software	3-5 years
Equipment	5 years
Furniture and fixtures and building improvements	5-10 years
Building	40 years

Equity Classifications

Net position represents the difference between assets and liabilities. MOPERM reports three categories of net position, as follows:

Net investment in capital assets - Consists of net capital assets.

Restricted net position - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. MOPERM does not have restricted net position as of December 31, 2013 and 2012.

Unrestricted net position - Consists of all other net position that does not meet the definition of the above two components and is available for general use by MOPERM. MOPERM considers unrestricted net position as retro return reserves. MOPERM has designated unrestricted net position for catastrophic reserves in the amount of \$34,627,523 and \$32,734,908 as of December 31, 2013 and 2012, respectively.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note B -Basis of Accounting Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized as revenue over their related policy period. Advance contributions represent contributions received in the current year for policies effective the following year. No unearned contribution is reflected at year-end as all policies expire on December 31.

Annual contributions are determined based on actuarial projections to produce sufficient funds to pay losses, loss adjustment expense and general and administrative expenses. If contributions do not produce sufficient funds to meet obligations, MOPERM is empowered to make special assessments. Members are jointly and severally liable for claims against MOPERM. No special assessments were made during either 2013 or 2012.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Management has evaluated all receivable balances for collectability and determined no estimate or allowance for uncollectable accounts is necessary.

Retro Return Reserve Refunds

If collected contributions and interest income exceed the total amount of all paid claims, claim expenses, operating expenses, and the catastrophic retro return reserves allocation in any given year, the Board of Trustees may declare that a refund of the excess amount be made. The refund shall be on a pro rata basis to all participating public entities based on the contributions of the public entity for the immediately preceding year. Unless otherwise determined by the Board of Trustees, no refund will be made until all claims are closed and the appropriate statute of limitations has expired for that policy year. Refunds are recorded in the year declared.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expenses are charged to income as incurred. Loss and loss adjustment expense reserves represent the accumulation of estimates for reported unpaid losses including loss adjustment expenses, the effects of inflation and other societal and economic factors, plus a provision for losses incurred but not reported, and is reported net of amounts recoverable and receivable from excess loss providers. Loss adjustment expenses represent anticipated costs of settling claims, including attorneys' and adjusters' fees. The reserves for incurred but not reported loss and loss adjustment expenses are actuarially determined and based on a computation that applies varying percentages to each policy year's earned contributions, less cumulative claims paid and reported unpaid loss reserves at the statement of net position.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

Loss and Loss Adjustment Expense Reserves (Continued)

The methods for making such estimates and for establishing the resulting liability are continually reviewed by management and MOPERM's independent actuary and any adjustments are reflected in earnings.

Designated Catastrophic Reserves

The designated catastrophic reserves are funds designated by the Board of Trustees to cover catastrophic losses incurred by MOPERM for any policy year. The balances at December 31 for policy years 2006 through 2010 is equivalent to 10% of the earned contribution and 15% of the earned contribution for all policy years since MOPERM's inception minus \$1,545,447 for policy year 2002; plus any undesignated retro return reserves of a policy year that is twenty years old. The total of these reserves at December 31, 2013 and 2012 is \$5,780 and \$6,072 respectively. During 2005, the Board of Trustees approved the transfer of the catastrophic reserves for policy year 2002 to the Undesignated Retro Return Reserves. If losses in any policy year exceed total contributions and designated catastrophic reserves, additional assessments could be made to applicable members for the policy year the losses occurred.

Operating and Non-operating Income and Expenses

All revenues and expenses, except the unrealized gain or loss on investments, are considered operating. Investment income is considered operating revenue.

Income Taxes

The Company is exempt from federal income tax in accordance with Section 115 of the Internal Revenue Code (IRC).

The Company has implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. The adoption of FASB ASC 740 did not have a material impact on the Company's financial statements. The Company has concluded that there are no significant uncertain tax positions requiring disclosure. Tax years that remain subject to examination are the years ended December 31, 2011 through 2013. The Company continues to evaluate its tax exempt status in relation to FASB ASC 740.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note B -Basis of Accounting Summary of Significant Accounting Policies (Continued)

Management's Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

MOPERM evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 21, 2014, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications were made to the prior year financial statement presentation to conform to the current year presentation.

Note C - Deposits and Investments

Deposits

Cash balances include short-term securities and operating balances held by financial institutions. At December 31, 2013 and 2012, the carrying amount of deposits at the financial institutions was \$(256,047) and \$372,272, the bank balance was \$369,191 and \$607,712, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance at December 31, 2013 and 2012. Ended at December 31, 2012, Central Bank participated in the FDIC's Transaction Account Guarantee Program which provides for a temporary full guarantee by the FDIC for funds in noninterest bearing transaction accounts above the existing FDIC limit.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note C - Deposits and Investments (Continued)

Investment Policies

MOPERM's investment policy allows investments in: time deposits with maturity of twenty four months or less, U.S. Treasury securities with final maturities of seven years or less, U.S. mortgage backed securities with final maturities of twenty years and a seven year average life or less at purchase, U.S. Government agency securities with final maturities of seven years or less, collateralized mortgage obligations that have a weighted average life not to exceed seven years and pass the FFIEC High Risk Stress Test, corporate issued and guaranteed by FDIC or other government programs under the "Temporary Liquidity Guarantee Program" with final maturities of seven years or less, commercial paper that may not exceed 180 days to maturity and repurchase agreements.

Investment Summary

The following table presents the summary of MOPERM'S investments by type at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investaccount-Government	\$ 7,530,087	\$ 2,164,841
U.S. Agencies	79,969,867	83,005,722
U.S. Treasury Bills	5,500,010	5,670,009
U.S. Government Guaranteed Mortgages	13,051,645	10,675,797
Collateralized Mortgage Obligations	<u>13,585,306</u>	<u>14,352,564</u>
	\$ <u>119,636,915</u>	\$ <u>115,868,933</u>

Investaccount-Government account balances totaling \$7,530,087 and \$2,164,841 at December 31, 2013 and 2012, respectively, are classified as cash and cash equivalents in the Statement of Net Position, but, as investments for custodial credit risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MOPERM would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in MOPERM's name, and held by the counterparty. The Investaccount-Government was collateralized by securities delivered to a third party institution mutually agreed upon by the financial institution and MOPERM. MOPERM's other investments are not exposed to custodial credit risk.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note C - Deposits and Investments (Continued)

Concentration of Credit Risk

There is potential concentration of credit risk if more than five percent (5%) of the entity's investments are with any one issuer. The following investments are considered exposed to concentration of credit risk as of December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$ 29,174,167	26.02	\$ 23,000,505	19.79
Federal National Mortgage Association	17,269,825	15.40	16,799,890	14.45
Federal Home Loan Mortgage Corporation	14,574,865	13.00	15,120,305	13.01
Federal Farm Credit	11,989,975	10.70	21,068,325	18.12
Federal Home Loan Mortgage Corporation— Collateralized Mortgage Obligations	6,586,716	5.88	8,566,236	7.37
Federal National Mortgage Association— Mortgage Backed Securities	11,253,057	10.04	8,422,182	7.25

Such concentrations are permitted by MOPERM's investment Policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt instrument's exposure to a change in interest rates and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instrument's full price. MOPERM mitigates interest rate risk through the duration of investments outlined in its investment policy.

Foreign Currency Risk

MOPERM held no foreign investments or currency as of December 31, 2013 and 2012.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note C -Deposits and Investments (Continued)

Investment Maturity Schedule

Investments are reported at fair value. Investments that are purchased with less than 90 days maturity date are listed as "cash equivalents". As of December 31, 2013 and 2012, MOPERM's investment maturities consisted of the following:

<u>December 31, 2013</u>	<u>Rating</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to ten years</u>	<u>Total</u>
Investaccount-Government	N/A	\$ 7,530,087	\$ -	\$ -	\$ -	\$ 7,530,087
U.S. Agencies	Aaa/AA+	196,395	1,653,068	26,003,200	52,117,204	79,969,867
U.S. Treasury Bills	N/A	5,500,010	-	-	-	5,500,010
U.S. Government Guaranteed Mortgages	Aaa/AA+	15,190	-	7,185,977	5,850,478	13,051,645
Collateralized Mortgage Obligations	Aaa/AA+	<u>703,513</u>	<u>614,852</u>	<u>5,228,301</u>	<u>7,038,640</u>	<u>13,585,306</u>
		<u>\$ 13,945,195</u>	<u>\$ 2,267,920</u>	<u>\$ 38,417,478</u>	<u>\$ 65,006,322</u>	<u>\$ 119,636,915</u>

<u>December 31, 2012</u>	<u>Rating</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to ten years</u>	<u>Total</u>
Investaccount-Government	N/A	\$ 2,164,841	\$ -	\$ -	\$ -	\$ 2,164,841
U.S. Agencies	Aaa/AA+	-	6,947,405	15,720,640	60,337,677	83,005,722
U.S. Treasury Bills	N/A	5,670,009	-	-	-	5,670,009
U.S. Government Guaranteed Mortgages	Aaa/AA+	95,662	-	7,034,286	3,545,849	10,675,797
Collateralized Mortgage Obligations	Aaa/AA+	<u>1,215,059</u>	<u>7,675,084</u>	<u>5,105,467</u>	<u>356,954</u>	<u>14,352,564</u>
		<u>\$ 9,145,571</u>	<u>\$ 14,622,489</u>	<u>\$ 27,860,393</u>	<u>\$ 64,240,480</u>	<u>\$ 115,868,933</u>

Gains (Losses) on Investments

Net unrealized losses on investments classified as trading assets held at the reporting date were (\$4,600,409) and (\$164,113) for the years ended December 31, 2013 and 2012, respectively. Net gains on assets sold or otherwise disposed of, and included within net investment income, amounted to \$158,210 in 2013 and \$535,821 in 2012.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note D - Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

Category	Balance at December 31, 2012	Additions	Deductions/ Transfers	Balance at December 31, 2013
Capital assets, being depreciated				
Building and building improvements	\$ 1,171,441	\$ 898	\$ -	\$ 1,172,339
Equipment	26,141	177	-	26,318
Furniture and fixtures	104,314	1,308	1,071	104,551
Computer equipment and software	1,674,072	6,418	143	1,680,347
Automobiles	31,975	-	-	31,975
Total capital assets, being depreciated	3,007,943	8,801	1,214	3,015,530
Less accumulated depreciation	1,594,984	139,982	1,223	1,733,743
Capital assets, net	\$ 1,412,959	\$ (131,181)	\$ (9)	\$ 1,281,787

Capital asset activity for the year ended December 31, 2012, was as follows:

Category	Balance at December 31, 2011	Additions	Deductions/ Transfers	Balance at December 31, 2012
Capital assets, not being depreciated				
Work in Process	\$ 417,004	\$ 56,175	\$ 473,179	\$ -
Capital assets, being depreciated				
Building and building improvements	1,159,491	11,950	-	1,171,441
Equipment	27,663	199	1,721	26,141
Furniture and fixtures	104,314	-	-	104,314
Computer equipment and software	1,243,079	474,187	43,194	1,674,072
Automobiles	48,555	16,650	33,230	31,975
Total capital assets, being depreciated	2,583,102	502,986	78,145	3,007,943
Less accumulated depreciation	1,551,686	121,307	78,009	1,594,984
Total capital assets, being depreciated, net	1,031,416	381,679	136	1,412,959
Capital assets, net	\$ 1,448,420	\$ 437,854	\$ 473,315	\$ 1,412,959

Total depreciation expense for the years ended December 31, 2013 and 2012, was \$139,982 and \$121,307.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note E - Loss and Loss Adjustment Expense Reserves

Activity in the loss and loss adjustment expense reserves was as follows:

	<u>2013</u>	<u>2012</u>
Loss and loss adjustment expense reserves, beginning of year, net of reinsurance recoverable of \$260,631 in 2013 and \$385,918 in 2012	\$ 48,767,586	\$ 50,850,122
Incurred loss and loss adjustment expenses:		
Provision for insured events – current year	11,357,854	10,029,373
Provision for insured events – prior years	<u>(654,220)</u>	<u>269,624</u>
Total incurred loss and loss adjustment expenses	<u>10,703,634</u>	<u>10,298,997</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events – current year	3,262,255	3,055,406
Loss and loss adjustment expenses attributable to insured events – prior years	<u>7,380,391</u>	<u>9,326,127</u>
Total payments	<u>10,642,646</u>	<u>12,381,533</u>
Loss and loss adjustment expenses reserves, end of year, net of reinsurance recoverable of \$215,073 in 2013 and \$260,631 in 2012	\$ <u>48,828,574</u>	\$ <u>48,767,586</u>

The provision for prior year insured events represents the variations between MOPERM's estimated claims payable for prior years' claims and the actual amounts required to satisfy such claims.

Note F - General and Administrative Expenses

The most significant components of general and administrative expenses are salary, employee benefit, agent commission, and loss control services expenses. All employees administering MOPERM are employees of the State of Missouri and are covered by the Missouri State Employees' Retirement System. MOPERM reimburses the State of Missouri, a related organization, for all costs of administration, including salary costs of \$623,834 for 2013 and \$581,441 for 2012 and pension costs of \$97,025 for 2013 and \$82,461 for 2012. As of December 31, 2013 and 2012, payables due to the State of Missouri totaled \$116,827 and \$35,686, respectively. The State of Missouri's other post employment benefit package is subject to the measurement and disclosure requirements of GASB 45.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note F - General and Administrative Expenses (Continued)

Effective during the 2008 year, the amounts paid to the State of Missouri include a contribution allocation to reimburse the State for the funding of the post retirement health insurance liability. This liability is recognized in total by the State of Missouri. MOPERM's financial statements reflect their allocated share of funding requirement.

All property business is required to be written through agents where liability business can be written direct or through an agent. Agent commission expense totaled \$1,456,793 and \$1,323,943 for the years ended December 31, 2013 and 2012, respectively.

Note G - Retro Return Reserve Refunds

The Board of Trustees of MOPERM did declare retro return reserve refunds in the amount of \$1,106,980 and \$703,447 in 2013 and 2012. As of December 31, 2013, cumulative retro return reserve refunds were as follows:

<u>Policy Year</u>	<u>Refunds Declared and Paid Prior to 2012</u>	<u>Refunds Declared and Accrued During 2013</u>	<u>Refunds total Declared</u>	<u>Percentage of Contributions Refunded</u>
1987	\$ 1,391,082	\$ -	\$ 1,391,082	85%
1988	2,074,331	-	2,074,331	76%
1989	519,031	-	519,031	23%
1990	933,499	-	933,499	45%
1991	270,627	-	270,627	12%
1992	825,298	-	825,298	28%
1993	32,380	13,711	46,091	1%
1994	155,373	-	155,373	3%
1995	1,970,719	293,844	2,264,563	39%
1996	567,808	322,700	890,508	14%
1997	132,322	338,330	470,652	7%
1998	-	138,395	138,395	2%
	<u>\$ 8,872,470</u>	<u>\$ 1,106,980</u>	<u>\$ 9,979,450</u>	

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Notes to Financial Statements - Continued

December 31, 2013 and 2012

Note H - Excess Insurance

MOPERM maintains excess insurance coverage with outside insurance carriers for the property program. The property excess policy for 2013 and 2012 was placed with multiple carriers and they collectively provided coverage of \$200,000,000 for each occurrence, with MOPERM's retention per claim of \$100,000. For 2013 and 2012, the boiler and machinery excess policy, with Zurich American Insurance Company, provides coverage of \$50,000,000 for each occurrence with no annual aggregate and MOPERM had a \$10,000 deductible per occurrence. The crime excess policy, with Travelers Casualty and Surety of America, provides coverage of \$50,000 per occurrence and MOPERM's retention per occurrence was \$5,000 with no annual aggregate for both 2013 and 2012.

Since July 7, 2002, MOPERM has elected not to purchase an excess insurance policy for liability coverage.

Note I - Condominium Association

On February 4, 2005, MOPERM purchased an office condominium in the Howerton Center Condominium. In conjunction with the purchase, MOPERM became a one-third member of The Howerton Center Condominium Association, Inc. (Corporation). The Corporation is a Mutual Benefit Corporation formed for the purpose of maintaining the common areas in The Howerton Center Condominium and performing all other duties set forth in the Declaration of Condominium. MOPERM previously contributed \$1,000 to the Corporation for operating funds. MOPERM is billed utilities, insurances and other expenditures by the Corporation as outlined in the Corporation's Condominium Declarations and Bylaws. MOPERM records such expenditures on the accrual basis of accounting as general and administrative expenses.

Note J - Contingencies

MOPERM is a party to a number of lawsuits arising in the normal course of business. While the results of other litigation cannot be predicted with certainty, management, based upon advice of MOPERM's counsel, believes the final outcome of the other litigation will not have a material adverse effect on MOPERM's financial position or its results of operations.

Required Supplemental Information

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Supplemental Schedule of 2004-2013 Loss Development Information

December 31, 2013

The following page illustrates how MOPERM's earned revenues (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by MOPERM for each of the ten years ended December 31, 2013. The rows of the table are defined as follows:

- (1) The total of each fiscal year's gross earned contribution revenues and investment revenues. Earned contribution revenue and investment revenue paid to excess insurers and earned contribution revenue and investment revenue net of the effects of excess reinsurance premiums.
- (2) Each fiscal year's other operating costs of MOPERM including overhead and claims expense not allocable to individual claims.
- (3) MOPERM's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurer and net incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) The cumulative net amounts paid as of the end of successive years for each policy year.
- (5) The latest re-estimated amount of losses assumed by excess insurers as of the end of each year for each accident year.
- (6) Each policy years incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses, as well as the emergence of new losses not previously known.
- (7) Compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of loss cost are greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature policy years. The columns of the table show data for successive policy years.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Supplemental Schedule of 2004-2013 Loss Development Information, Continued

Year ended December 31, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fiscal year ended:										
(1) Contribution and investment revenue:										
Earned	19,112,502	22,356,241	24,528,670	25,941,702	26,430,915	22,681,440	21,232,605	19,366,692	19,309,387	20,402,355
Ceded	(712,488)	(990,355)	(1,119,915)	(1,378,279)	(1,170,558)	(1,119,946)	(1,273,174)	(1,447,161)	(1,639,866)	(1,744,482)
Net earned	18,400,014	21,365,886	23,408,755	24,563,423	25,260,357	21,561,494	19,959,431	17,919,531	17,669,521	18,657,873
(2) Unallocated expenses	2,616,855	2,796,814	3,004,756	2,995,869	3,159,917	2,624,008	2,504,618	2,366,185	2,489,258	2,669,851
Policy year ended:										
(3) Contribution refunds, cumulative	-	-	-	-						
(3) Estimated incurred loss and loss adjustment expense, end of policy year:	12,742,751	14,344,347	15,374,073	15,169,791	16,096,860	13,351,739	12,505,206	12,233,711	10,763,247	11,666,726
Incurred	(278,067)	(2,631)	(330,067)	(210,840)	(585,795)	(398,943)	(286,666)	(753,284)	(101,048)	(308,872)
Ceded										
Net incurred	12,464,684	14,341,716	15,044,006	14,958,951	15,511,065	12,952,796	12,218,540	11,480,427	10,662,199	11,357,854
(4) Net paid losses (cumulative) as of:										
End of policy year	2,226,701	2,360,924	2,850,824	2,660,991	3,244,802	2,734,679	3,126,561	5,385,430	2,954,358	2,953,383
One year later	4,105,287	3,296,373	3,743,592	4,181,825	5,138,156	4,311,864	5,182,373	7,166,940	4,088,118	-
Two years later	5,686,877	5,170,224	5,263,978	7,913,383	7,013,470	5,188,008	6,541,593	10,392,180	-	-
Three years later	6,497,502	8,501,426	6,520,461	9,531,422	8,082,239	8,445,272	7,880,273	-	-	-
Four years later	7,383,707	8,873,080	7,078,303	7,710,710	8,891,913	9,114,240	-	-	-	-
Five years later	7,865,666	9,680,258	7,493,188	11,468,727	9,578,358	-	-	-	-	-
Six years later	8,307,063	9,788,245	8,105,768	11,680,022	-	-	-	-	-	-
Seven years later	8,329,245	10,222,141	8,473,122	-	-	-	-	-	-	-
Eight years later	8,374,913	10,235,974	-	-	-	-	-	-	-	-
Nine years later	8,398,201	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded loss and loss adjustment	(569,344)	(37,479)	(830,436)	(294,168)	(1,017,820)	(732,765)	(334,886)	(1,266,160)	(249,725)	(308,872)
(6) Re-estimated incurred loss and loss adjustment expense:										
End of policy year	12,464,684	14,341,716	15,044,006	14,958,951	15,511,065	12,952,796	12,218,540	11,174,983	10,662,199	11,357,854
One year later	12,439,325	14,305,897	14,987,767	14,926,969	15,186,111	12,798,194	12,143,246	12,396,804	10,656,543	-
Two years later	12,439,325	14,288,296	14,969,152	14,913,686	15,226,953	12,798,195	12,145,377	14,399,011	-	-
Three years later	12,439,325	14,298,450	14,968,152	14,913,686	15,226,953	12,798,194	12,145,007	-	-	-
Four years later	12,439,325	14,298,450	14,976,799	14,913,686	15,226,953	12,798,195	-	-	-	-
Five years later	12,439,325	14,298,450	14,976,799	14,913,686	15,226,953	-	-	-	-	-
Six years later	12,439,325	14,298,450	14,976,799	14,913,686	-	-	-	-	-	-
Seven years later	12,439,325	14,298,450	14,976,799	-	-	-	-	-	-	-
Eight years later	12,439,325	14,298,450	-	-	-	-	-	-	-	-
Nine years later	10,844,660	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred losses and loss of adjustment expenses from end	(1,620,024)	(43,266)	67,207	(45,265)	(284,112)	154,601	(73,533)	3,224,028	5,656	-

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Reconciliation of Claims Liabilities by Type of Contract

Years ended December 31, 2013 and 2012

The schedule below presents the changes in claims liabilities for the past two years for the fund's two types of contracts: Liability and Property

	Liability		Property	
	2013	2012	2013	2012
Loss and loss adjustment expense reserves, beginning of year	\$ 48,382,675	\$ 50,444,821	\$ 384,911	\$ 405,301
Incurred loss and loss adjustment expenses:				
Provision for insured events - current year	10,556,411	9,835,900	801,443	193,473
Provision for insured events - prior year	(623,386)	(36,810)	(30,834)	306,434
Total incurred loss and loss adjustment expenses	9,933,025	9,799,090	770,609	499,907
Payments:				
Loss and loss adjustment expenses attributable to insured events - current year	2,295,099	2,275,758	967,156	779,648
Loss and loss adjustment expenses attributable to insured events - prior years	7,339,075	9,585,478	41,316	(259,351)
Total payments	9,634,174	11,861,236	1,008,472	520,297
Loss and loss adjustment expense reserves, end of year	\$ 48,681,526	\$ 48,382,675	\$ 147,048	\$ 384,911